



B. Thomas Golisano

EDITORS' NOTE *Thomas Golisano is an entrepreneur, philanthropist, and civic leader. He is the Founder and Chairman of the Board of Paychex, Inc., headquartered in Rochester, New York. With more than 12,000 employees and 100 office locations nationwide, Paychex is a leading national provider of payroll, human resource, and benefit outsourcing solutions for more than a half-million small and medium-sized businesses. Golisano served as Paychex's President and Chief Executive Officer from 1971, when he founded the company, until 2004. In 1985, he launched his first philanthropic endeavor by establishing the Golisano Foundation, which awards grants to organizations providing opportunities for those with intellectual disabilities. His personal philanthropic contributions to hospitals, educational institutions and other organizations have totaled approximately \$300 million. In recognition of his achievements and endeavors, Golisano has received numerous awards and holds honorary doctorate degrees from five different colleges and universities. He is a member of the board of directors of several private companies and institutions. Golisano graduated from Alfred State College with a degree in general business management. He was presented an honorary doctorate of humane letters at his alma mater's commencement ceremony on May 17, 2009. His book, Built, Not Born: A Self-Made Billionaire's No-Nonsense Guide for Entrepreneurs, publishes February 2020.*

Will you discuss the Paychex story and the keys to the company's success?

Initially, I always had a lot of interest in being in sales and selling to businesses rather than consumers. I became a salesperson, and then a sales manager, for a company called Electronic Accounting Systems (EAS), which was a local company doing payroll processing for companies of generally 50 employees and above. The atmosphere back in the early '70s was that the larger the potential client, the more excitement for the processor and the harder

Built Not Born

**An Interview with B. Thomas Golisano,
Founder and Chairman, Paychex, Inc.**

they would work to get that client. The marketplace was generally 50 employees and above. I thought to myself that there were so many small businesses, so I went to the library and found out that 98 percent of businesses had fewer than 100 employees and realized it was a market that was being missed.

I came up with two or three concepts that I thought would be appropriate. The first was that payroll processors back then would have clients fill out very sophisticated computer input sheets that had to be picked up. The payroll was processed remotely and then delivered back to the client. I thought that instead of having the client learn how to fill out these input sheets, why not just have the client call in and verbalize over the telephone what they wanted to accomplish? For example, a typical 20-person payroll could be called in about two or three minutes on the telephone. You have no big pickup or delivery issues there. The customer doesn't have to learn how to do anything except verbalize what they want to accomplish, talk to the professional on the other end, and then we would get the payroll back to the client. From an economic perspective and from a simplicity perspective, that worked a lot better.

Second, none of the payroll processors were doing payroll tax returns as part of the service offering. If you're an employer in New York State, you have a minimum of 50 payroll tax returns and payments that must be made every year to the federal and state governments. The penalties for not accomplishing that in a timely manner are pretty severe, so why wouldn't we help the client make these payments to the state and federal governments?

Third, we need to price it so they can afford it. The minimum charge back then for

doing a five-person payroll was \$30 a pay period, which for a five-person payroll back in 1970 was quite expensive. We brought the pricing down considerably.

The key issue that made Paychex successful was that in payroll processing, the process is charged by the number of checks printed, or in other words, the number of employees. The higher the number of checks or the higher the number of employees, the lower the revenue per check, because as the number of employees goes up, the price per unit comes down. Well, that raises the question, "Would you rather have 10, 10-person payrolls or one, 100-person payroll?" Well, for the 10, 10-person payrolls, the revenue is two and a half times the revenue of a one, 100 person payroll and I can assure you that the incremental overhead to prepare that payroll is not two and a half times greater. Consequently, our profit margins turned out to be much higher than traditional payroll processors.

Once I saw the opportunity, I went to the management of the company I was working for and told them that I thought our company, EAS at the time, should go into the small business market, and I was willing to lead the charge as an employee. The management of the company told me in no uncertain terms that they didn't think it was a good idea since accountants wouldn't like us doing payroll tax returns and that we never could make any real money at it. I decided to let them sit on it for about two months, and then went back with the same presentation, and they said the same thing to me that they weren't interested in doing it. I left EAS and started a company which was originally called Paymaster, which is now Paychex, that went after the small business market.

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We learned some hard lessons during the first four years and I don't think I personally received a paycheck in those first four years. My goal was to get 300 clients in Rochester, New York, and it took me about four years to be able to accomplish that. Fortunately, I had some friends and relatives that were willing to help us out with small loans. After about four years, the momentum was growing in the marketplace for us.

How critical was it to continue to innovate and evolve as Paychex grew?

Payroll processing is somewhat of a commodity today. There are more companies in the business today than there has ever been and more people today have their payroll processed by an outsider than ever before. It is critical to keep innovating and improving your product, and our direction for our human resource services area was exactly that. Every company needs to keep innovating and keep being creative, or else they are going to get left behind.

What was your focus for writing your new book, *Built Not Born*, and what did you want to convey through the book?

This book was not my original concept. People convinced me that I should write a biography because of my experience owning the Buffalo Sabres, my experience running for governor three times in the state of New York, my philanthropy, and because of some of the other successful businesses that I was involved in. I spent a number of months writing with a ghostwriter and submitted it to a couple of publishers. I got a call back from one of them saying that while it was interesting, I should write a business book first. That sounded so easy for me because I've been living in that world for 50 years. I hung up the phone and decided to do a business book.

Now that I have done it, and some people have read it, I feel very gratified about it. I keep hearing people say, "Boy, I wish I read this book 20 years ago", or "Boy, this saved me from making some mistakes." The book is going to be public nationally in February 2020, and we're looking for positive results from it. My goal is to help entrepreneurs. Entrepreneurs are so important to this country. They're the job creators. They keep this economy going. So anything I can do to help them based on my experiences, I'm glad to do.

You are heavily involved in philanthropy. Is the approach to your philanthropic work the same as it was for business?

From a diagnostic perspective, I think I use the same skills in philanthropy that I used in business. It's not easy giving away money, believe it or not. You can give it away, but if you want to be effective in giving it away, that's a whole different story. We work very hard at discovery and thoroughly diagnose any organizations that we are considering giving money to. We want to make sure that the management can do the job, that they can fulfill the purpose, they do it economically, and so forth.

Is the entrepreneurial spirit and capability something that can be taught or is it something you are born with?

I don't know that I was born with it, but there are certain circumstances that happened in my life that probably pushed me toward it. I'll tell you one that's very personal. When I was 16 years old, I was helping my father deliver macaroni products in the truck. My father was in his 60s, and doing this as a person that age was difficult. One day, he received a tongue lashing from his boss in front of me, and it was terrible. It must have hurt him so bad to hear it, and then to have me sitting there listening as well. I made a promise to myself that I was going to be my own boss and that I would never treat people that way.

Fortunately, things have worked out. I believe that if you're a person with a desire to be an entrepreneur and you have some skill, it is possible. Everybody should have the opportunity and possibility of promoting themselves in an entrepreneurial way, just like you would with any other skill. You've got to work at it. You've got to read it. You got to live it. You've got to think about it a lot, but it can be done. I probably had a head start over most people, because I had a very strong desire when I got out of college to be my own boss. It took me a few years to get there, but once I did, I made sure to do everything I could to be the best entrepreneur I could become. ●

**A SELF-MADE BILLIONAIRE'S
NO NONSENSE GUIDE FOR ENTREPRENEURS**

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NOT
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FOUNDER OF PAYCHEX,
TOM GOLISANO
WITH MIKE WICKS